

**RICE HOSPITAL DISTRICT  
EAGLE LAKE, TEXAS**

**As of and for the Years Ended  
March 31, 2022 and 2021**



## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management  
Rice Hospital District  
Eagle Lake, Texas

### Opinions

We have audited the accompanying statements of net position of Rice Hospital District (the “District”), as of March 31, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for years then ended, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of March 31, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

Durbin & Company, L.L.P.  
Certified Public Accountants

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Durbin & Company, L.L.P.*

Durbin & Company, L. L. P.  
Lubbock, Texas  
October 20, 2022

**RICE HOSPITAL DISTRICT  
EAGLE LAKE, TEXAS**

**Management's Discussion and Analysis**

**As of and for the Years Ended  
March 31, 2022 and 2021**

**RICE HOSPITAL DISTRICT**  
**UNAUDITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AND FINANCIAL STATEMENTS**

Our discussion and analysis of Rice Hospital District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal years ended March 31, 2022 and 2021. Please read it in conjunction with the District's financial statements, which begin on page 1.

**FINANCIAL HIGHLIGHTS**

- Cash and cash equivalents increased in 2022 by \$2,471,659 or 50.8% and increased in 2021 by \$2,165,651 or 80.2%.
- The District's net position reflects a \$2,591,658 or 50.0% increase in 2022, and a \$2,068,006 or 66.3% increase in 2021.
- The District reported an operating income in 2022 of \$1,203,160 and in 2021 of \$1,181,764. The operating income in 2022 increased by \$21,396 or 1.8% over the income reported in 2021.
- Net nonoperating revenues (expenses) increased in 2022 by \$502,256 or 56.7%, as compared to 2021. Net nonoperating revenues (expenses) increased by \$583,260 or 192.5%, in 2021 as compared to 2020.

**USING THIS ANNUAL REPORT**

The District's financial statements consist of three statements, a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

**The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position**

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**RICE HOSPITAL DISTRICT  
UNAUDITED  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AND FINANCIAL STATEMENT (CONTINUED)**

These two statements report the District’s net position and changes in them. You can think of the District’s net position - the difference between assets and liabilities - as one way to measure the District’s financial health, or financial position. Over time, increases or decreases in the District’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the District’s patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the District.

**The Statement of Cash Flows**

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as “Where did cash come from?” “What was cash used for?” and “What was the change in cash balance during the reporting period?”

**THE DISTRICT’S NET POSITION**

The District’s net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 1. The District’s net position increased by \$2,591,658 or 50.0% in 2022 and decreased by \$2,068,006 or 66.3% in 2021, as shown in **Table 1**.

**Table 1: Assets, Liabilities, and Net Position**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets:			
Cash and Equivalents	\$ 7,339,006	\$ 4,867,347	\$ 2,701,696
Other Current Assets	483,039	356,220	440,763
Capital Assets (net)	<u>1,223,030</u>	<u>1,297,455</u>	<u>1,378,950</u>
Total Assets	<u><u>\$ 9,045,075</u></u>	<u><u>\$ 6,521,022</u></u>	<u><u>\$ 4,521,409</u></u>
Liabilities:			
Long-Term Debt Outstanding	\$ 1,259,749	\$ 1,327,034	\$ 1,390,364
Current Liabilities	<u>8,440</u>	<u>8,760</u>	<u>13,823</u>
Total Liabilities	<u>1,268,189</u>	<u>1,335,794</u>	<u>1,404,187</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	(36,719)	(29,579)	(11,414)
Unrestricted	<u>7,813,605</u>	<u>5,214,807</u>	<u>3,128,636</u>
Total Net Position	<u>7,776,886</u>	<u>5,185,228</u>	<u>3,117,222</u>
Total Liabilities and Net Position	<u><u>\$ 9,045,075</u></u>	<u><u>\$ 6,521,022</u></u>	<u><u>\$ 4,521,409</u></u>

**RICE HOSPITAL DISTRICT  
UNAUDITED  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AND FINANCIAL STATEMENT (CONTINUED)**

**OPERATING RESULTS AND CHANGES IN THE DISTRICT’S NET POSITION**

In 2022, the District’s net position increased by \$2,591,658 or 50.0% and decreased by \$2,068,006 or 66.3% in 2021. This change is made up of different components, as shown in **Table 2**.

**Table 2: Operating Results and Changes in Net Position**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues:			
Lease Revenue	\$ 1,233,110	\$ 1,233,110	\$ 1,233,110
Other Operating Revenue	70,946	56,376	52,906
Total Operating Revenue	<u>1,304,056</u>	<u>1,289,486</u>	<u>1,286,016</u>
Operating Expenses:			
Professional Fees and Purchased Services	19,980	19,825	19,240
Other Operating Expenses	6,491	6,402	6,017
Depreciation and Amortization	74,425	81,495	85,455
Total Operating Expenses	<u>100,896</u>	<u>107,722</u>	<u>110,712</u>
Operating Income	1,203,160	1,181,764	1,175,304
Nonoperating Revenues (Expenses):			
Property and Sales Tax Revenue	2,985,005	2,462,439	1,911,457
Noncapital Grants and Contributions	-	-	25,000
Indigent Care Expense	(1,547,768)	(1,521,033)	(1,552,203)
Interest Income and Investment Return	7,113	4,477	9,170
Interest Expense	(55,852)	(59,641)	(90,442)
Gain (Loss) on Disposal of Assets	-	-	-
Total Nonoperating Revenues (Expenses)	<u>1,388,498</u>	<u>886,242</u>	<u>302,982</u>
Increase (Decrease) in Net Assets	2,591,658	2,068,006	1,478,286
Net Position, Beginning of Year	<u>5,185,228</u>	<u>3,117,222</u>	<u>1,638,936</u>
Net Position, End of Year	<u>\$ 7,776,886</u>	<u>\$ 5,185,228</u>	<u>\$ 3,117,222</u>

**RICE HOSPITAL DISTRICT  
UNAUDITED  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND FINANCIAL STATEMENT (CONTINUED)**

**Operating Income**

The first component of the overall change in the District's net position is its operating income or loss - generally, the difference between operating revenues and the expenses incurred to perform those services. In each of the past two years, the District has reported an operating income. This is consistent with the District's recent operating history as the District primarily earns revenue from the lease of a hospital facility. The District also levies property taxes to support the health care of lower income and other residents.

The operating income for 2022 increased by \$21,396 or 1.8% as compared to 2021. The primary components of the increased operating income are:

- An increase in other operating revenue of \$14,570 or 25.8%.
- A decrease in operating expenses of \$6,826 or 6.3%.

The operating income for 2021 increased by \$6,460 or 0.5% as compared to 2020. The primary components of the increased operating income are:

- An increase in other operating revenue of \$3,470 or 6.6%.
- An decrease in operating expenses of \$2,990 or 2.7%.

**Nonoperating Revenues and Expenses**

Nonoperating revenues consist primarily of property and sales taxes levied by the District and interest income and investment earnings. Property and sales tax increased by \$522,566 in 2022 and \$550,982 in 2021.

Nonoperating expenses also include indigent care expense. Indigent care expense increased by \$26,735 or 1.8% in 2022 and decreased by \$31,170 or 2.0% in 2021, due to the unpredictable nature of state programs and funding opportunities.

**THE DISTRICT'S CASH FLOWS**

Changes in the District's cash flows are consistent with changes in operating incomes and nonoperating revenues and expenses for 2022 and 2021, as previously discussed.

**RICE HOSPITAL DISTRICT  
UNAUDITED  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND FINANCIAL STATEMENT (CONTINUED)**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of March 31, 2022 and 2021, the District had \$1,223,030 and \$1,297,455, respectively, invested in capital asset, net of accumulated depreciation, as detailed in Note 6 of the financial statements. In 2022 and 2021, the District acquired no capital assets. Depreciation expense totaled \$74,425 and \$81,495 in 2022 and 2021, respectively.

**Debt**

As of March 31, 2022 and 2021, the District had \$1,259,749 and \$1,327,034, respectively, in outstanding debt, as detailed in Note 7 of the financial statements. During fiscal years 2022 and 2021, the District made payments of \$67,285 and \$63,330, respectively, on outstanding debt.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board of Directors at Rice Hospital District, 600 S. Austin, Eagle Lake, Texas 77434.

**RICE HOSPITAL DISTRICT  
EAGLE LAKE, TEXAS**

**Financial Statements**

**As of and for the Years Ended  
March 31, 2022 and 2021**

**RICE HOSPITAL DISTRICT**  
**STATEMENTS OF NET POSITION**  
**MARCH 31, 2022 AND 2021**

<b>ASSETS:</b>	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 7,339,006	\$ 4,867,347
Assets Whose Use is Limited	17,259	17,098
Rent Receivables	308,278	205,518
Prepaid and Other Current Assets	54,806	43,993
Property Taxes Receivable	<u>102,696</u>	<u>89,611</u>
Total Current Assets	7,822,045	5,223,567
<b>CAPITAL ASSETS,</b>		
Net of Accumulated Depreciation	<u>1,223,030</u>	<u>1,297,455</u>
Total Assets	<u>\$ 9,045,075</u>	<u>\$ 6,521,022</u>
<b>LIABILITIES AND NET POSITION:</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Long-Term Debt	\$ 70,345	\$ 67,303
Other Accrued Liabilities	<u>8,440</u>	<u>8,760</u>
Total Current Liabilities	78,785	76,063
<b>NONCURRENT LIABILITIES</b>		
Long-Term Debt, Net of Current Portion	<u>1,189,404</u>	<u>1,259,731</u>
Total Liabilities	1,268,189	1,335,794
<b>NET POSITION</b>		
Invested in Capital Assets Net of Related Debt	(36,719)	(29,579)
Unrestricted	<u>7,813,605</u>	<u>5,214,807</u>
Total Net Position	<u>7,776,886</u>	<u>5,185,228</u>
Total Liabilities and Net Position	<u>\$ 9,045,075</u>	<u>\$ 6,521,022</u>

The accompanying notes are an integral part of these financial statements.

# RICE HOSPITAL DISTRICT

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
OPERATING REVENUES:		
Lease Revenue	\$ 1,233,110	\$ 1,233,110
Other Operating Revenue	70,946	56,376
Total Operating Revenues	<u>1,304,056</u>	<u>1,289,486</u>
OPERATING EXPENSES:		
Professional Fees and Purchased Services	19,980	19,825
Other Operating Expenses	6,491	6,402
Depreciation and Amortization	74,425	81,495
Total Operating Expenses	<u>100,896</u>	<u>107,722</u>
Operating Income (Loss)	1,203,160	1,181,764
NONOPERATING REVENUES (EXPENSES):		
Property and Sales Tax Revenue	2,985,005	2,462,439
Indigent Care Expense	(1,547,768)	(1,521,033)
Interest Income and Investment Return	7,113	4,477
Interest Expense	(55,852)	(59,641)
Total Nonoperating Revenues (Expenses)	<u>1,388,498</u>	<u>886,242</u>
Increase (Decrease) in Net Position	2,591,658	2,068,006
Net Position, Beginning of Year	<u>5,185,228</u>	<u>3,117,222</u>
Net Position, End of Year	<u>\$ 7,776,886</u>	<u>\$ 5,185,228</u>

The accompanying notes are an integral part of these financial statements.

# RICE HOSPITAL DISTRICT

## STATEMENTS OF CASH FLOWS

### FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Rent Receipts	\$ 1,130,350	\$ 1,335,870
Other Receipts and Payments, net	70,946	56,376
Payments to Suppliers and Contractors	<u>(37,284)</u>	<u>(35,092)</u>
Net cash provided by (used in) operating activities	1,164,012	1,357,154
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	<u>7,113</u>	<u>4,477</u>
Net Cash Provided by (Used in) Investing Activities	7,113	4,477
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt and Notes Payable	(67,285)	(63,330)
Interest Payments on Long-Term Debt and Notes Payable	<u>(56,172)</u>	<u>(64,704)</u>
Net Cash Provided by (Used in) Capital and Related Financing	(123,457)	(128,034)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	2,971,920	2,448,701
Payments for Indigent Care Expense	<u>(1,547,768)</u>	<u>(1,521,033)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	1,424,152	927,668
Net Increase (Decrease) in Cash and Cash Equivalents	2,471,820	2,161,265
Cash and Cash Equivalents, Beginning of Year	<u>4,884,445</u>	<u>2,723,180</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,356,265</u>	<u>\$ 4,884,445</u>

The accompanying notes are an integral part of these financial statements.

# RICE HOSPITAL DISTRICT

## STATEMENTS OF CASH FLOWS (CONTINUED)

### FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF CASH AND EQUIVALENTS TO THE BALANCE SHEETS		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	\$ 7,339,006	\$ 4,867,347
Assets Whose Use is Limited - Current	17,259	17,098
	<u>\$ 7,356,265</u>	<u>\$ 4,884,445</u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,203,160	\$ 1,181,764
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Used in Operating Activities:		
Depreciation and Amortization	74,425	81,495
(Increase) Decrease in:		
Prepaid Expenses and Other Current Assets	<u>(113,573)</u>	<u>93,895</u>
Net Cash Provided By (Used in) Operating Activities	<u>\$ 1,164,012</u>	<u>\$ 1,357,154</u>

The accompanying notes are an integral part of these financial statements.

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Rice Hospital District, (the “District”), located in Eagle Lake, Texas is a political subdivision created and operating under the laws of the State of Texas. In accordance with Chapter 286, "Hospital Districts Created by Voter Approval," a special election was held on March 6, 1995 in Colorado County approving the creation of the special "Rice Hospital District." The District is governed by a board of directors elected by the citizens of Colorado County, Texas.

Prior to the formation of the District, Eagle Lake Community Hospital (the “Hospital”), a not-for-profit corporation, owned the hospital operations, equipment, and facilities. Effective October 1, 1995, the District and the Hospital entered into a hospital sublease and transfer of operations agreement. Under this agreement, the Hospital transferred certain assets and operations and subleased the facility and equipment to the District. The lease was a 15-year lease with a five-year extension option. At the end of the original terms, the lease will automatically renew on a year-to-year basis upon the same terms and conditions unless a written notice of termination is given to the other party at least 180 days prior to termination.

Effective December 31, 2009, the District sold certain assets and the operations of Rice Medical Center (RMC) to CAHRMC LLC (CAHRMC), a Texas Limited Liability Company wholly owned by Critical Access Healthcare, LLC. The District remains as a taxing district with property taxes levied on real property within the District. The District also receives sales tax revenues.

**Arrangements with CAHRMC Tax Revenue and Indigent Care** – A three-year sublease agreement with CAHRMC became effective in December 2009. Under the terms of the agreement, CAHRMC will sublease the building and land from the District for \$243,750 per quarter. The sublease is subject to one renewal option of three years. Effective February 1, 2014, an amendment to the sublease agreement was entered into. Under the amendment, the rent payments were increased to \$277,823 per quarter. The lease term under the original sublease agreement remains the same. Effective August 2014, the District entered into another lease agreement with CAHRMC for the use and operation of the East Bernard Clinic for \$10,151 per month for 10 years. The lease is subject to three renewal options of five years.

If the District terminates this arrangement, the hospital’s operations could be transferred back to the District, along with the possible liability of the District to reimburse CAHRMC for certain expenditures. As of March 31, 2020, no such termination has been made by the District.

The District has committed to provide funding for certain Medicaid and non-Medicaid indigent care to support RMC’s care of qualifying patients through the Texas Medicaid Supplemental Payment Program also known as the 1115 Waiver Program. Under this program, if the District contributes certain revenues to the State of Texas, the State provides Medicaid payments to RMC and their affiliated hospitals.

These funds are held, which will not be disbursed, if ever, until the District receives notice from the Texas Health and Human Services Commissions (THHSC) to transfer these funds as an Intergovernmental Transfer under the 1115 Waiver Program. If the Program is discontinued, other payment arrangements will become effective. Consequently, amounts pledged are recorded as nonoperating indigent care expense for the remaining healthcare services provided by the District.

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Enterprise Fund Accounting** - The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**Newly Adopted Accounting Pronouncements:**

**GASB Statement No. 89** – In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Statement is effective for reporting periods beginning after December 15, 2019.

**GASB Statement No. 95** – In May 2020, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stake holders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are schedule to become effective for periods beginning after June 15, 2018, or later.

- The effective date for GASB Statement No. 87 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after June 15, 2021.
- The effective date for GASB Statement No. 89 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 15, 2020.
- The effective date for GASB Statement No. 91 has been postponed from reporting periods beginning after June 15, 2020 to reporting periods beginning after December 15, 2021.
- The effective date for GASB Statement No. 92 has been postponed from reporting periods beginning after June 15, 2020 to reporting periods beginning after June 15, 2021.

**Pending Adoption of Recent Accounting Pronouncements:**

**GASB Statement No. 87** – In June 2017, GASB issued GASB Statement No. 87 – *Leases*. The objective of this Statement is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred outflows of resources or deferred inflows of resources based on the payment provisions of the contract. The Statement is effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures. See GASB Statement No. 95 for notice of implementation postponement.

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pending Adoption of Recent Accounting Pronouncements (Continued):**

**GASB Statement No. 91** – In May 2019, GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for periods beginning after December 15, 2020. Management is currently evaluating the effects this pronouncement will have on the financial statements and related disclosures. See GASB Statement No. 95 for notice of implementation postponement.

**GASB Statement No. 92** – In January 2020, the Governmental Accounting Standards Board (“GASB”) issued GASB Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, to be effective for *fiscal years* beginning after December 15, 2019 and is effective for all reporting periods thereafter;
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB);
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits;
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements;
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition;
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers;
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature;
- Terminology used to refer to derivative instruments.

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pending Adoption of Recent Accounting Pronouncements (Continued):**

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement No. 87, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance;
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020;
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020;
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Management is currently evaluating the effect this statement will have on the financial statements and related disclosures. See GASB Statement No. 95 for notice of implementation postponement.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents. At March 31, 2022 and 2021, cash equivalents consisted primarily of checking and savings accounts with banks.

**Investments** – Investments are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

**Assets Whose Use is Limited** - Assets whose use is limited include assets set aside by the board of directors to be used for debt service over which the board retains control and may at its discretion subsequently use for other purposes.

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets** – Capital assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets. The District has elected to capitalize expenditures over \$5,000 and provide for depreciation of capital assets by the straight-line method at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life as follows:

Land Improvements	15 to 20 years
Building (Components)	5 to 40 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

**Net Position** – Net position of the District is classified into three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

**Operating Revenues and Expenses** – For purposes of display, the District’s statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from exchange transactions associated with providing health care services - the District’s principal activity and lease revenue. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**Federal Income Taxes** - The District is a political subdivision under the laws of the State of Texas, and therefore, is exempt from federal and state income taxes pursuant to Section 115 of the Internal Revenue Code and a similar provision of state law.

**Grants and Contributions** - From time to time, the District receives grants from state agencies and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

**RICE HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 MARCH 31, 2022 AND 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Risk Management** - The District is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental, and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage during the year.

**Property Taxes** - The District received approximately 46.9% in 2022 and 47.8% in 2021 of its financial support from property taxes. Property taxes are received beginning in October of each year and become delinquent after January 31 of the following year. Revenue from property taxes is recognized in the year for which the taxes are levied. The District provides an allowance for uncollectible taxes based on historical collection information.

**Sales Taxes** - The District receives a .5% allocation of the total tax levy of 8.25% for the city of Eagle Lake, Texas. The tax is collected by the vendor and remitted to the State of Texas by the 20<sup>th</sup> of the month following collection. The State remits allocated collections to the District monthly. Sales tax revenue for 2022 and 2021 were \$465,925 and \$708,421, respectively.

**NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS**

At March 31, 2022 and 2021, the carrying amount of the District's deposits with financial institutions was \$7,356,265 and \$4,884,445, respectively, and the bank balance was \$7,387,931 and \$4,890,651, respectively. The bank balance is categorized as follows:

	<u>2022</u>	<u>2021</u>
Amount insured by the FDIC	\$ 250,000	\$ 250,000
Amount collateralized with securities held by the pledging financial institution's trust department in the District's name	<u>7,137,931</u>	<u>4,640,651</u>
Total bank balance	<u>\$ 7,387,931</u>	<u>\$ 4,890,651</u>

**NOTE 3 - INVESTMENTS**

The District's investments are reported at fair value and consist of money market mutual funds and were classified as cash equivalents. Investment income for the years ended March 31, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Interest and Dividend Income	<u>\$ 7,113</u>	<u>\$ 4,477</u>

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 4 – ASSETS WHOSE USE IS LIMITED**

The composition of assets whose use is limited as of March 31, 2022 and 2021 is set forth in the following table:

	<u>2022</u>	<u>2021</u>
<b>Board Designated for Debt Service</b>		
Cash and Cash Equivalents	<u>\$ 17,259</u>	<u>\$ 17,098</u>

**NOTE 5 – PROPERTY TAXES RECEIVABLE**

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Taxes are reported as revenues in the period for which they are levied. Tax revenue for 2022 and 2021 was \$2,519,080 and \$1,754,018, respectively.

According to the Special District Local Laws Code Title 3, Subtitle A, Chapter 1091, the District is authorized to levy a tax on property not to exceed \$.75 per \$100 valuation for the purposes of paying operating expenses and debt service. Tax rates for 2022 and 2021 were \$.259 and \$.220 per \$100 valuation, respectively. Taxes for fiscal years 2022 and 2021 were levied on property within the District having assessed values of \$993,234,731 and \$873,662,767, respectively.

As of March 31, 2022 and 2021, the balance of property taxes receivable and its related allowance for uncollectible taxes are as follows:

	<u>2022</u>	<u>2021</u>
Property Tax Receivable	\$ 205,392	\$ 179,221
Less: Allowance for Uncollectible Taxes	<u>(102,696)</u>	<u>(89,610)</u>
Taxes Receivable, Net of Allowance	<u>\$ 102,696</u>	<u>\$ 89,611</u>

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 6 – CAPITAL ASSETS**

Capital assets additions, retirements, and balances for the years ended March 31, 2022 and 2021 were as follows:

	Balance 03/31/21	Additions	Reclass/ Retirements	Balance 03/31/22
Land	\$ 61,196	\$ -	\$ -	\$ 61,196
Land improvements	255,361	-	-	255,361
Building and improvements	1,576,025	-	-	1,576,025
Equipment	1,643,939	-	-	1,643,939
Capitalized interest	48,391	-	-	48,391
Totals at Historical Cost	3,584,912	-	-	3,584,912
Less Accumulated Depreciation for:				
Land improvements	(121,531)	(11,938)	-	(133,469)
Building and improvements	(513,075)	(59,241)	-	(572,316)
Equipment	(1,640,209)	(1,310)	-	(1,641,519)
Capitalized interest	(12,642)	(1,936)	-	(14,578)
Total Accumulated Depreciation	(2,287,457)	(74,425)	-	(2,361,882)
Capital Assets, Net	\$ 1,297,455	\$ (74,425)	\$ -	\$ 1,223,030
	Balance 03/31/20	Additions	Reclass/ Retirements	Balance 03/31/21
Land	\$ 61,196	\$ -	\$ -	\$ 61,196
Land improvements	255,361	-	-	255,361
Building and improvements	1,576,025	-	-	1,576,025
Equipment	1,643,939	-	-	1,643,939
Capitalized interest	48,391	-	-	48,391
Totals at Historical Cost	3,584,912	-	-	3,584,912
Less Accumulated Depreciation for:				
Land improvements	(109,593)	(11,938)	-	(121,531)
Building and improvements	(450,246)	(62,829)	-	(513,075)
Equipment	(1,635,417)	(4,792)	-	(1,640,209)
Capitalized interest	(10,706)	(1,936)	-	(12,642)
Total Accumulated Depreciation	(2,205,962)	(81,495)	-	(2,287,457)
Capital Assets, Net	\$ 1,378,950	\$ (81,495)	\$ -	\$ 1,297,455

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 7 – LONG-TERM DEBT**

A schedule of changes in the District's long-term debt consists of the following at March 31:

	Balance 03/31/21	Additions	Reductions	Balance 03/31/22	Due Within One Year
Long-Term Debt:					
Bonds, Series 2013	\$ 1,229,000	\$ -	\$ (25,000)	\$ 1,204,000	\$ 26,000
Bank Loan	98,034	-	(42,285)	55,749	44,345
Total Long-Term Debt	<u>\$ 1,327,034</u>	<u>\$ -</u>	<u>\$ (67,285)</u>	<u>\$ 1,259,749</u>	<u>\$ 70,345</u>
	Balance 03/31/20	Additions	Reductions	Balance 03/31/21	Due Within One Year
Long-Term Debt:					
Bonds, Series 2013	\$ 1,252,000	\$ -	\$ (23,000)	\$ 1,229,000	\$ 25,000
Bank Loan	138,364	-	(40,330)	98,034	42,279
Total Long-Term Debt	<u>\$ 1,390,364</u>	<u>\$ -</u>	<u>\$ (63,330)</u>	<u>\$ 1,327,034</u>	<u>\$ 67,279</u>

The terms and due dates of the District's long-term debt at March 31, 2022 and 2021 are as follows:

- Rice Hospital District Hospital System Revenue Bonds, Taxable Series 2013, dated September 1, 2013, payable in annual principal installments ranging from \$18,000 to \$91,000, semiannual interest payments due with a fixed interest rate of 5.50% until August 1, 2015 then with a variable interest rate based on the Wall Street Journal Prime rate plus a margin of 1% with a minimum interest rate of 5.50%, due on August 1, 2044, collateralized by gross revenues. The Bonds were issued for \$1,375,000 and in agreement with First National Bank of Eagle Lake, the bank purchased the bonds and issued the District a loan in the same amount.
- Bank loan, dated June 4, 2013, payable on demand, but if no demand is made then 36 monthly payments of \$4,509 with a fixed interest rate of 4.75% then 84 monthly payments of \$4,509 with a variable interest rate based on the Wall Street Journal Prime rate plus a margin of 1% with a minimum interest rate of 4.75%, due on June 4, 2023, collateralized by equipment. Effective July 2017, the principal and interest payments were changed to \$3,835. The interest rate and payment terms remain unchanged.

**Bonds, Series 2013:** The Rice Hospital District Hospital System Revenue Bonds, Taxable Series 2013, were issued to finance the construction of a new clinic in East Bernard, Texas. The bonds are secured by the revenue derived from the operation of the District. In accordance with the bond indenture, the following funds and insurance coverage are required:

**Revenue Fund:** All funds collected by the District shall be deposited into this account and then used to pay operating expenses and to transfer funds into the interest and sinking fund established by this bond agreement.

**RICE HOSPITAL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 MARCH 31, 2022 AND 2021**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

**Interest and Sinking Fund:** Monthly deposits to this fund are required which equal the amount required for paying interest on the Series 2013 Bonds on the next ensuing interest payment date plus an amount equal to the total amount of all installments of the principal of the Series 2013. The debt service cash is used to pay scheduled interest and principal payments. As of March 31, 2016, the District was not in compliance with this bond indenture. During fiscal year 2017, the District opened an interest and sinking fund and began making monthly deposits into the account. The balance in the account as of March 31, 2022 and 2021 was \$17,259 and \$17,098, respectively.

**Insurance Coverage:** The District is to be insured against risks, accidents, or casualties; including, without limitation, fire and extended coverage insurance, insurance against damage by floods if the new clinic is located in a flood hazard area, use and occupancy insurance, and commercial general liability insurance. Public liability and property damage insurance shall also be carried unless legal counsel for the District gives a written opinion to the effect that the District is not liable for claims which would be protected by such insurance. The insurance maintained by the District shall name the bank as additional insured and loss payees, as applicable.

Bonds, Series 2013 bond indentures also require the disclosure of insurance policies at fiscal year-end. The following table lists the insurance policies in effect as of March 31:

2022			
Insurer's Name	Policy Amounts	Risk Covered	Policy's Expiration Date
Central Mutual Insurance Company	Limit of up to \$1,057,000 dependant on type of hazardous event	Commercial Property Coverage	December 31, 2022
2021			
Insurer's Name	Policy Amounts	Risk Covered	Policy's Expiration Date
Central Mutual Insurance Company	Limit of up to \$1,057,000 dependant on type of hazardous event	Commercial Property Coverage	December 31, 2021

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 7 – LONG-TERM DEBT (CONTINUED)**

The following is a schedule of the future principal and interest payments on long-term debt for each of the next five years:

For the Year Ending	<u>Bonds Payable</u>		<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
March 31,				
2023	\$ 26,000	\$ 77,415	44,345	1,690
2024	28,000	75,660	11,404	90
2025	29,000	73,808	-	-
2026	31,000	71,858	-	-
2027	33,000	69,778	-	-
2028-2032	196,000	313,105	-	-
2033-2037	260,000	239,525	-	-
2038-2042	343,000	142,123	-	-
2043-2045	258,000	25,805	-	-
Total	<u>\$ 1,204,000</u>	<u>\$ 1,089,077</u>	<u>\$ 55,749</u>	<u>\$ 1,780</u>

In 2022 and 2021, total interest incurred was \$55,852 and \$59,641, respectively, all of which was charged to operations.

**NOTE 8 - CONTINGENCIES**

**Litigation** – In the normal course of business, the District is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the District's commercial insurance, for example, allegations regarding performance of contracts. The District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that could cause the estimate of ultimate loss to differ materially in the near term.

**NOTE 9 – INDIGENT CARE AGREEMENT**

The District has entered into an indigent care affiliation agreement with Rice Medical Center. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population through the Texas Medicaid 1115 Demonstration Waiver. Under this program, Rice Hospital District transfers certain government funds to the State of Texas to improve access to healthcare for indigent persons. As part of this agreement, the District provided \$1,547,768 and \$1,521,033 in funding to the program for the years ended March 31, 2022 and 2021, respectively.

**RICE HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2022 AND 2021**

**NOTE 10 – AFFILIATED ENTITY**

The District's relationship with CAHRMC constitutes a variety of concentrations. Due to the nature of the transfer of RMC operations, transactions that belong to the District may have been recorded by the CAHRMC (or vice versa) and are being settled through a due to "RMC" account. As of March 31, 2022 and 2021, there were no amounts to or from CAHRMC related to these transactions.

A three-year sublease agreement with CAHRMC became effective in December 2009. Under the terms of the agreement, CAHRMC subleases the building and land from the District for \$243,750 per quarter. The sublease is subject to one renewal option of three years. Effective February 1, 2014, an amendment to the sublease agreement was entered into. Under the amendment, the rent payments were increased to \$277,823 per quarter. At March 31, 2022 and 2021, the District has recorded a receivable from CAHRMC in the amount of \$277,824 and \$185,216, respectively. The receivable is included in rent receivables in the accompanying statements of net position.

Effective August 2014, the District entered into another lease agreement with CAHRMC for the use and operation of the East Bernard Clinic for \$10,151 per month for 10 years. The lease is subject to three renewal options of five years. At March 31, 2022 and 2021, the District has recorded a receivable from CAHRMC in the amount of \$30,454 and \$20,302, respectively. The receivable is included in rent receivables in the accompanying statements of net position.

**NOTE 11 – SUBSEQUENT EVENTS**

The date to which events occurring after March 31, 2022, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is October 20, 2022 which is the date on which the financial statements were available to be issued.